

PACIFIC BELL
PUBLIC COMMUNICATIONS
INMATE MARKET

1. Offering of inmate phones in today's environment as a regulated service is appropriate.

- o Provides benefit to ratepayer
- o Is different product offering from that provided by COPTs

2. TODAY as a regulated line of business, Pacific provides inmate phones with unique inmate capabilities as part of the network. Cost and revenue streams are from regulated network usage.

3. Should inmate phone provision be classified as CPE, the following major changes would occur:

- o Provision of inmate phones would become a nonregulated line of business, subject to Part 64 rules and joint provision of CPE rules as outlined in the Order in CC Docket No. 86-79.
- o Revenue streams change dramatically.
- o Creates a non-level playing field between LECs and COPTs.

4. Non-level playing field results because:

- o Part 64 treatment assigns higher costs for LECs than major COPTs would need to reflect
- o Pacific cannot avail itself of a revenue stream available to competitors: commissions on inter-LATA usage from IECs (resale of interexchange services or discrimination in favor of any individual IEC is prohibited by the MFJ)

5. Part 64 changes the cost structure of the service.

- o Part 64 overview (attached)
- o Impact on access line charges and revenues

6. THERE IS NO PUBLIC BENEFIT TO CLASSIFYING INMATE PHONES AS CPE. PUBLIC DETRIMENT COULD ARISE, AND COMPETITION REMOVED FROM THE MARKET, AS LECs EXIT THE MARKET.